



Market Research

Air Conditioning and Refrigeration Industry

Report Date: 9/14/2005
Expires: 4/13/2006

Air Conditioning and Refrigeration Industry Summary

The air conditioning and refrigeration industry can be divided into three sectors: domestic, commercial-industrial, and automotive or mobile. A tremendous increase in production, imports and sales has been seen in all three sectors. Changes in purchasing and living habits, availability of domestic equipment in all types of stores as well as increased credit conditions and aftermarket service, have promoted the increase in sales. The U.S. is by far the largest foreign supplier of air conditioning and refrigeration equipment to the Mexican market, holding 62 percent of a market that grew 7 percent from \$962 million in 2003 to an estimated \$1.1 billion in 2004. Due to the North American Free Trade Agreement (NAFTA) and Mexico's proximity to the U.S., sales opportunities are abundant in all industries. However, the growing market has also attracted attention abroad, leading to increasing competition from Asian equipment suppliers.

Contact Information

Contact:	Ernesto de Keratry
Address:	American Consulate General Ave. Constitución 411 Pte. 64000 Monterrey, N.L., Mexico
Phone:	(52-81) 8345 - 2120
Fax:	(52-81) 8342 - 5172
Contact Email:	ernesto.dekeratry@mail.doc.gov
Contact URL:	http://www.buyusa.gov/mexico/en

For additional information regarding market research specific to your products and services, ask about our **Customized Market Research (CMR)** program by contacting us at 1-800-USA-TRAD(E) or www.export.gov.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

Air Conditioning and Refrigeration Industry

Air Conditioning and Refrigeration Industry Mexico

Summary

The air conditioning and refrigeration industry can be divided into three sectors: domestic, commercial-industrial, and automotive or mobile. A tremendous increase in production, imports and sales has been seen in all three sectors. Changes in purchasing and living habits, availability of domestic equipment in all types of stores as well as increased credit conditions and aftermarket service, have promoted the increase in sales.

The U.S. is by far the largest foreign supplier of air conditioning and refrigeration equipment to the Mexican market, holding 62 percent of a market that grew 7 percent from \$962 million in 2003, to an estimated \$1.1 billion in 2004. Due to the North American Free Trade Agreement (NAFTA) and Mexico's proximity to the U.S., sales opportunities are abundant in all industries.

However, the growing market has also attracted attention abroad, leading to increasing competition from Asian equipment suppliers.

Market Overview

Sales of U.S. products and equipment for the air conditioning and refrigeration industry enjoyed sharp growth and increases in market share for several years. Most recently, increasing competition from Asian countries such as China, Korea and Thailand has led to a slight drop in U.S. sales and market share. Still, however, the U.S. holds a 62 percent share of the estimated U.S.\$1.1 billion of refrigeration and air conditioning equipment and parts that Mexico imported in 2004.

Large U.S. companies such as York, Trane, and Carrier have opened manufacturing facilities in Mexico in order to reduce production costs and to be closer to their Mexican customers. Asian firms such as Samsung, LG, and Mirage have also opened production facilities in Mexico to be closer to the Mexican market and to more efficiently reach the U.S. and Latin American markets. As a result, the market for raw materials, electronic components, compressors, diffusers, controls, evaporators, etc, to serve these production facilities is a very important export opportunity for U.S. manufacturers.

Import Market

In addition to the large manufacturing firms, many smaller companies have initiated production in Mexico. In particular, many small companies that provide parts and maintenance services have flourished throughout Mexico. These firms import a large quantity of components and parts from both the U.S. and other countries.

Imports from the U.S. are projected to see a 2% increase for 2005, for a total of U.S.\$690.6 million. U.S. import market share has seen a steady decrease since 2002 by an average of 4% a year. The number of finished products being imported has decreased and is being replaced by an increase in equipment parts imported into Mexico to service the growing number of manufacturing facilities here.

Air Conditioning and Refrigeration Industry

Air Conditioning and Refrigeration Industry Mexico

Table 1 below shows the total Mexican air conditioning and refrigeration market, and Table 2 shows the U.S. share of imports for the market. Figures in both tables include the total market, including finished goods and parts. Source for both tables: World Trade Atlas.

Table 1: Mexican Market for Air Conditioning and Refrigeration Finished Goods and Parts

U.S.\$ Millions	2002	2003	2004	Est. Increase in 2005
Import Market	929.5	962.2	1,086.2	7%
Local Production	1,507.8	1,778.2	2,156.5	17%
Exports	1,137.7	1,180.7	1,371.2	9%
Total Market	1,299.7	1,559.6	1,871.5	20%
Imports from the U.S.	650.5	610.8	677.08	2%

Table 2: U.S. Share of Imports for Mexican Market for Air Conditioning and Refrigeration Finished Goods and Parts

U.S.\$ Millions	2002	2003	2004
U.S.	70%	63%	62%
South Korea	12%	12%	10%
China	1%	3%	7%
Germany	6%	5%	4%
Thailand	1%	2%	1%

Air Conditioning and Refrigeration Industry

Air Conditioning and Refrigeration Industry Mexico

Market Trends

The use of industrial and commercial air conditioning has seen a dramatic increase in Mexico. Whereas several years ago few stores or public buildings were equipped with air conditioning, today air conditioning has become very popular and much more common, especially in hot weather areas and coastal cities.

Until recently air-conditioned automobiles were only sold in Mexico's northern cities. Today, most autos are factory equipped with air conditioning. This has led to an increase in sales of imported parts and service equipment.

Commercial refrigeration has also seen a tremendous increase in use. Fifteen years ago, groceries and fruits and vegetables were mostly sold in open-air markets. Butcher shops sold fresh meat. Today, most grocery stores, large and small, have refrigerated food areas as well as frozen food display units. Thousands of convenience stores, which have only been in the Mexican market for less than 10 years, are important users of walk-in coolers and freezers. Meat and cold cut packers have opened throughout the country due to the availability of refrigeration systems, and they are now able to distribute their products throughout the country in refrigerated trailer units.

The market for parts has recently shown a large increase in demand, as many American, Asian and other companies have shifted from shipping finished products to Mexico to establishing new assembly plants here. Equipment such as unitary air-conditioners, heat transfer equipment, motor vehicle mechanical air-conditioning systems, compressors and compressor units, non-electric warm air furnaces, humidifiers and air source heat pumps have seen large increases in sales.

Energy costs are high in Mexico, and the cost of electricity is a major factor in the purchase of a new domestic AC unit. The Mexican government, through the National Electric Commission (CFE, the official energy provider), has been promoting the sale of new AC and refrigeration units equipped with energy saving devices. CFE has a program to help domestic users exchange old, high-energy consumption equipment for new energy-saving apparatus. Mexico's Department of Energy has established a Mexican standard (NOM) that indicates that all new AC and refrigeration units produced in or imported into Mexico must contain energy saving devices.

The market for energy saving devices and improved compressor units has increased 400% in the last three years, opening excellent opportunities for U.S. manufacturers, although competition from third countries is very strong.

Competition

Several U.S. and Asian companies manufacture air-conditioning and refrigeration components in Mexico. Asian companies dominate the small capacity equipment sector, while U.S. companies dominate the large capacity equipment sector. U.S. companies own the strongest companies in Mexico that participate in the air-conditioning and refrigeration industry: Trane, York and Carrier.

The industrial and commercial refrigeration sector is also very highly competitive. The most important U.S. brands are present. Many U.S. companies send finished goods from the United States. Others, however,

Air Conditioning and Refrigeration Industry

Air Conditioning and Refrigeration Industry Mexico

manufacture in Mexico, displacing the market for imported finished goods while creating a burgeoning market for parts. Brands such as Hussmann-American, Kelvinator, Phillips, Honeywell, Parker, etc, find competition from Frigus Bohn, Danfoss, Maneurop, LG, etc.

Low cost production in Asian countries has encouraged companies from China, South Korea and Thailand to create businesses in Mexico to offer inexpensive products for the Mexican market. As a result, American imports have decreased slightly. (See Table 2)

U.S. firms such as Carrier, Thermo King, and Donovan basically control the transport refrigeration system. There is no third country competition for finished units, but replacement parts including compressors, condensers, electronic controls, etc., are now being imported from Asian countries or manufactured in Mexico.

Market Access

While imports of air conditioning, refrigeration and ventilation products and parts from NAFTA countries are free of any tariff, non-NAFTA countries have tariffs ranging from 3% to 18%. Mexico is vigorously pursuing free trade agreements with other countries, however, which may result in lower tariffs.

Mexico has free-trade agreements with the U.S., Canada, the E.U. and the European Free Trade Association (Norway, Switzerland, Iceland, and Liechtenstein), and signed a new FTA with Japan in 2004.

Market Entry

Customers in this sector are demanding uniform quality control, compliance with international standards, high productivity, lower production costs, just-in-time deliveries, and above all reliable local after-sale service and maintenance programs. This last factor has become, in many instances, even more important than pricing or financing in the purchasing decision. Demonstrated commitment to after-sale service has been the most effective tool that third-country manufacturers, mostly Japanese, have used to penetrate the market. These companies offer to have their maintenance personnel at the client's plant no more than 48 hours after a service call is made. The availability of required spares is the natural complement to the presence of their technicians.

Opportunities for Profile Building

The American Society of Heating, Refrigerating and Air Conditioning Engineers (ASHRAE) promotes the advancement of the arts and sciences for this industry and has provided educational information, standards and guidelines for interested parties. Commercial trade shows, conferences, educational forums and seminars are issued to educate the consumer on technical and business aspects of the air conditioning and refrigeration industry. ASHRAE has an office in Monterrey, Mexico.

Air Conditioning and Refrigeration Industry

Air Conditioning and Refrigeration Industry Mexico

Key Contacts

<http://www.ashrae.org/>

<http://www.ari.org/>

The Mexican Association (Heating, Ventilation, Air Conditioning and Refrigeration, HVAC&R publishes a web site portal, in Spanish, that has all types of information, directories, technical articles, news, and lists of events).

www.portalrefrigeracion.com

Upcoming Trade Shows/Events

2006 Oct. 10-12 - AHR Expo-Mexico

AHR Expo-Mexico, Oct. 10-12, Mexico City. Cosponsored by ASHRAE and ARI.

Contact International Exposition Company at 203-221-9232 or www.ahrexpomex.com

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, The U.S. Department of Commerce does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements.

With its team of industry sector experts, the U.S. Commercial Service can assist U.S. exporters gain entry into the Mexican market through market research reports, matchmaking services and advocacy programs. In Mexico we have offices in Guadalajara, Mexico City, Monterrey, and Tijuana. You can visit us at www.buyusa.gov/mexico/en or contact us at Mexico.City.Office.Box@mail.doc.gov.